

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Products Price Changes  
Rates of General Applicability

Docket No. CP2014-55

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE NOTICE CONCERNING CHANGES IN RATES OF  
GENERAL APPLICABILITY FOR PRIORITY MAIL  
ESTABLISHED IN GOVERNORS' DECISION NO. 14-3

(July 17, 2014)

The Public Representative hereby provides comments pursuant to Order No. 2111.<sup>1</sup> In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice concerning changes in rates of general applicability for competitive products – specifically, for Priority Mail.<sup>2</sup> The Postal Service filed its Notice pursuant to 39 CFR 3015.2. Attached to the Notice is Governors' Decision No.14-03 that establishes the changes, provides a statement of explanation and justification, and orders the changes into effect on September 7, 2014.<sup>3</sup> The Governors' Decision also states that the changes comport with section 3633(a) of title 39 and 39 CFR 3015.7(c). With its Notice, the Postal Service also filed public and non-public versions of supporting materials that include FY2015 projected volume, revenue and cost data as well as price adjustment calculations.

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<sup>1</sup> Notice and Order Concerning Changes in Rates of General Applicability for Priority Mail, July 3, 2014 (Order No. 2111).

<sup>2</sup> Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 14-3 (Notice).

<sup>3</sup> Decision of the Governors of the United States Postal Service on Changes in Rates of General Applicability for Competitive Products, June 18, 2014 (Governors' Decision No. 14-03).

## COMMENTS

The Public Representative has reviewed all the documentation filed in the docket. Based upon that review, the Public Representative concludes that the proposed rates of general applicability for Priority Mail should satisfy the requirements of 39 U.S.C. § 3633(a)(2).

Priority Mail Retail prices increase, on average, by 1.7 percent. At the same time Commercial Base prices will decrease, on average, by 0.9 percent and Commercial Plus prices will decrease, on average, by 2.3 percent. Governors' Decision No. 14-03 at 1. As to the overall price for Priority Mail, the Postal Service plans to keep it unchanged.<sup>4</sup> By performing these actions, The Postal Service intends "to attract new business customers and become their preferred delivery service".<sup>5</sup>

*Requirements of 39 U.S.C. § 3633.* Pursuant to 39 U.S.C. § 3633(a) and 39 CFR 3015.7(c), the Postal Service's price changes should enable each competitive product to cover its attributable costs and, ensure that competitive products collectively contribute 5.5 percent of the institutional costs of the Postal Service. After analyzing all the supporting materials, the Public Representative concludes that the proposed prices for Priority Mail should cover the attributable cost and appear to satisfy the statutory and regulatory requirements of 39 U.S.C. 3633 and 39 CFR 3015.7.

However, the Public Representative has a few concerns described below.

First, although, as noted above, the spreadsheets do indicate that the overall price for Priority Mail is proposed to be unchanged, the Postal Service does not provide this information in Governors' Decision 14-03 itself. Such lack of transparency might keep the majority of general public unaware of the actual affect of the rate changes by price category on the overall rate change for Priority Mail. The Public Representative suggests that it will be useful to provide information on the overall price change for

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<sup>4</sup> See, Notice, "PM Sept 14 Price Change Calc Redacted.xls", tab 'Total', cell D6.

<sup>5</sup> New Pricing Strategy to Grow Priority Mail. U.S. Postal Service Capitalizing on Strong Package Growth. *Postal News*, July 1, 2014. See: [http://about.usps.com/news/national-releases/2014/pr14\\_039.htm](http://about.usps.com/news/national-releases/2014/pr14_039.htm)

Priority Mail not only in the spreadsheets, but also in the Governors' Decision, like it has been done before.<sup>6</sup>

Second, while calculating the average price increase by price category for Priority Mail, the Postal Service applies Fixed-Weight (by Revenue) average price change calculation.<sup>7</sup> This methodology does not seem to be inconsistent with the methodology the Postal Service applied before.<sup>8</sup> However, the reason for choosing Fixed-Weight (by Revenue), and not Fixed-Weight (by Volume) for example, in calculations of the average price change is still unclear. Since a different weighting method could yield different results, the Public Representative suggests that the Commission request a justification from the Postal Service for applying Fixed-Weight (by Revenue) method in its calculations of the average price change.

Third, the Public Representative has not found the presentation of the financial workpapers to be transparent. Thus, volume, revenue and cost data for Priority Mail<sup>9</sup> are not supported by any links that could help thoroughly evaluate the methodological and mathematical accuracy of the Postal Service's calculations. This is not a new issue. In Order No. 1903, the Commission requested the Postal Service to "properly source and link its financial workpapers depicting the projected financial results associated with the price changes".<sup>10</sup>

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<sup>6</sup> See, e.g., Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 11-8, Docket No. CP2012-2, November 22 2011. Decision of the Governors of the United States Postal Service on Changes in Rates and Classes of General Applicability for Competitive Products, October 18, 2011 at 2. (Governors' Decision No. 11-8).

<sup>7</sup> See, Notice, "PM Sept 14 Price Change Calc Redacted.xls", tabs 'Retail', 'Comm Base' and 'Comm Plus', columns from T to AB.

<sup>8</sup> See, Notice of the United States Postal Service of Filing Supplemental Information with Portions Under Seal in Response to Commission Order No. 997, Docket CP2012-2, December 5, 2011, "DocketCP2012-2-2CIR#2-PMRedacted.xls".

<sup>9</sup> The data are presented in two Excel files of a non-public annex filed with the Notice.

<sup>10</sup> Order Approving Changes in Rates of General Applicability for Competitive Products. Docket No. CP2014-5, December 12, 2013 at.15 (Order No. 1903).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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